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7 February 1958

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Copy No. 137

**CENTRAL**

**INTELLIGENCE**

**BULLETIN**



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## CENTRAL INTELLIGENCE BULLETIN

7 February 1958

### DAILY BRIEF

#### I. THE COMMUNIST BLOC

25X1

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Soviet economic growth: According to Pravda, the USSR's rate of industrial growth in 1957 was well above that of the US and well above plan, although slightly below the 1956 level. The ambitious housing plan was overfulfilled for the first time in Soviet history, reflecting some shift in priorities more favorable to the consumer. On the other hand, raw materials difficulties continue. The disappointing harvest in 1957 makes less likely the achievement of Khrushchev's milk and meat goals.

#### II. ASIA-AFRICA

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25X1 intended to pave the way for either an ultimatum to Djakarta or the proclamation of a rival government.

25X1 *no* On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that there is no evidence of Sino-Soviet intention to become militarily involved in the Indonesian situation. Continued failure to resolve the basic differences between the central government and the dissident leaders, who may soon proclaim a rival government, could lead to disorders and thus to a situation even more favorable to the Communists on Java.

25X1 A Watch Committee footnote points out that unconfirmed press reports indicate the rival government may have been proclaimed on 6 February.

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25X1 *OK* Indian cabinet scandal: Nehru may soon be forced to dismiss his capable finance minister, Krishnamachari, as a result of a widely publicized scandal over malfeasance now being officially investigated. The investigation of Krishnamachari, who has been responsible for negotiating major foreign loans for India's Five-Year Plan, is a serious embarrassment to Nehru and the Congress party.

25X1 *OK* Iran: The Shah's apparent satisfaction with results of the recent Baghdad Pact meeting in Ankara appears inconsistent with his desire for massive military aid. Should he be misinterpreting some of the decisions of the Ankara meeting, his eventual disillusionment could induce him to renew his threat to withdraw.

25X1 *no* Egyptian-Syrian union: Nasir apparently remains concerned about the American attitude toward the new United Arab Republic. He is reported to be anxious to smooth the way for formal recognition of the union by other countries, which the Syrian foreign minister states will be

25X1

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expected immediately after the scheduled plebiscite on 21 February. The Iraqis, who intend to withhold recognition for the time being, continue to hope for support, especially from Saudi Arabia and the United States.

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No

On the basis of findings by its Watch Committee the Intelligence Advisory Committee concludes that a deliberate initiation of hostilities in the Middle East is unlikely in the immediate future. Tensions in the Middle East, augmented by the proclamation of the Syro-Egyptian United Arab Republic and by recent Israeli-Syrian border developments, continue to create possibilities for serious incidents.

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### III. THE WEST

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Guatemala: Prospects for a peaceful presidential succession now appear good. General Ydigoras is believed to have sufficient support in congress to assure his selection as president-elect, probably on 15 February. The government is planning the inauguration for 2 March. The leftist Revolutionary party will have only five seats in the new 66-man congress.

25X1

7 Feb 58

DAILY BRIEF

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25X1

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25X1

Approved For Release 2002/07/30 : CIA-RDP79T00975A003500060001-6

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25X1

**ANNUAL PERCENTAGE INCREASES IN SOVIET INDUSTRY  
REPORTED**

	1951-55 AVERAGE	1956	1957	1957 PLAN
GROSS INDUSTRIAL PRODUCTION	13.1	10.7	10.0	7.1
LABOR PRODUCTIVITY	7.0	6.9	6.5	5.4
COAL	8.4	10.0	7.9	6.3
ELECTRIC POWER	13.3	13.0	9.1	9.9
ROLLED STEEL	11.1	7.0	5.8	3.9
CRUDE STEEL	10.7	7.0	4.9	6.0
CEMENT	14.1	11.1	16.0	12.4
CRUDE OIL	13.3	18.0	17.3	15.7

6 FEBRUARY 1958

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### Soviet Economic Development in 1957

The USSR's industrial goal for 1957 was overfulfilled, according to Pravda. The rate of growth was well above that of the US and well above plan, although slightly below the 1956 level. The housing plan, which was ambitious, was overfulfilled for the first time in Soviet history, reflecting some shift in priorities in favor of the consumer. At the same time, continued raw material difficulties are reflected in the small increase in steel output. The 1957 harvest--without the unusually favorable weather of 1956--was lower, making less likely the achievement by 1961 of Khrushchev's meat and milk goals.

The announced rate of increase in total industrial production fell from 10.7 percent in 1956 to 10.0 percent in 1957; in many cases growth rates for major items were below 1956 rates and below those needed to achieve the original goals for 1960, now abandoned. The rate of increase of national income, influenced by the fall in agricultural production, dropped from 12 percent in 1956 to 6 percent in 1957. Industrial productivity rose 6.5 percent in comparison with 7 percent in 1956.

Plans for expanding the productive capacity of the coal, iron ore, cement, and ferrous metallurgical industries were underfulfilled, as they were in 1956. This problem remains a major one for Soviet planners.

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## II. ASIA-AFRICA

Nehru May Be Forced to Dismiss Indian Finance Minister

Indian Prime Minister Nehru may lose the services of able, pro-Western Finance Minister Krishnamachari as a result of a major scandal over misuse of government funds which is seriously embarrassing Nehru and the Congress party.

The government, under heavy pressure from critics in Parliament, is conducting a judicial inquiry into charges of malfeasance involving an investment made by the nationalized Life Insurance Corporation, under direction of the Finance Ministry, in an Indian industrial firm of dubious standing. Personal responsibility for the investment is still in doubt, although testimony damaging to both Krishnamachari and his top aide has created a nationwide sensation. It is likely that the inquiry's report will implicate Krishnamachari to some extent, and may force Nehru to accept the resignation

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Nehru will be extremely reluctant to dismiss Krishnamachari, who has been under heavy fire from the Communist party for his recent loan negotiations in Washington, since his resignation would be treated as a Communist propaganda victory. A shake-up in the Finance Ministry could also disrupt the operation of the Second Five-Year Plan. However, Nehru may feel compelled to fire Krishnamachari in order to keep the Congress party record clean.

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25X1

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Shah of Iran Satisfied With Recent Baghdad Pact Meeting

Iran's earlier threat to withdraw from the Baghdad Pact has been sidetracked, temporarily at least, by the Shah's apparent satisfaction over the outcome of the recent pact meeting in Ankara. The decisions at the meeting concerning military aviation, air defense, and naval matters please the Shah, [redacted]

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[redacted] He is particularly happy that completion of the first phase of the air force program is limited only by Iran's capability to provide sufficient pilots. He reasons that acceleration of the pilot training program could permit a more advanced phase to begin before 1960. The Shah apparently realizes that the question of ground force strength is subject to further study by the pact's military committee.

The Shah's satisfaction with the Ankara meeting appears inconsistent with his desire for massive military aid. Should he be misinterpreting some of the decisions of the pact meeting, his eventual disillusionment could induce him to renew his threat to withdraw. [redacted]

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Egypt and Syria Bid for US Recognition of United Arab Republic

President Nasir, apparently anxious about the American attitude toward the new United Arab Republic, sent a personal emissary to the American Embassy in Cairo on 4 February to sound out the possibility of recognition. The emissary, Egyptian publisher Mustafa Amin, advised Ambassador Hare that he believed Nasir hoped for immediate recognition, "without either endorsement or criticism."

Syrian Foreign Minister Bitar has queried Ambassador Yost in Damascus on the same subject. Bitar said recognition of the new state would be in order soon after completion of the plebiscite to be held in Syria and Egypt on 21 February, and that new credentials should be presented in Cairo, where the new capital will be located. He added that Egyptian and Syrian missions abroad would be merged and missions in Damascus would be given consular status.

An expression of the American attitude toward the union is also being eagerly sought by the Iraqi Government, which now plans not to recognize the new state. Iraqi Prime Minister Mirjan has requested American assistance in ascertaining the position of King Saud on this issue.

25X1

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No back-up material

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**National Indications Center**

The Director

**United States Information Agency**

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